

## Message Text

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ACTION EA-09

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R 110928Z MAY 76

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC 9076

INFO AMEMBASSY TAIPEI

AMCONSUL HONG KONG

USLO PEKING

CINCPAC HONOLULU HI

C O N F I D E N T I A L TOKYO 6882

CINCPAC ALSO FOR POLAD

E.O. 11652: GDS

TAGS: PFOR, PINT, CH, JA

SUBJECT: SINO-JAPANESE RELATIONS: MORINAGA MEETS KU MU

SUMMARY. IN FIRST COMMENT ON SINO-JAPANESE PEACE AND FRIENDSHIP TREATY IN SIX MONTHS, VICE PREMIER KU MU AFFIRMED TO VISITING BANK OF JAPAN OFFICIAL PRC DESIRE FOR PACT AS SOON AS POSSIBLE AND ON BASIS OF CHOU/TANAKA COMMUNIQUE. CHINESE SAID DOMESTIC AND FOREIGN POLICIES UNCHANGED, INCLUDING GUIDELINES FOR MAJOR TRADE ITEMS LIKE STEEL AND OIL. KU STATEMENT PUTS JAPANESE BACK IN MIDDLE BETWEEN PEKING AND MOSCOW ENDING EXCUSE FOR INACTION ON TREATY AFFORDED BY OBVIOUS TURMOIL IN MAINLAND. END SUMMARY.

1. ON MAY 6 AT GREAT HALL OF PEOPLE IN PEKING, VICE PREMIER KU MU TOLD VISITING BANK OF JAPAN GOVERNOR MORINAGA THAT SINO-JAPANESE RELATIONS PROCEEDING SMOOTHLY AND THAT PRC LOOKING FORWARD TO EARLIEST POSSIBLE CONCLUSION OF PEACE AND FRIENDSHIP TREATY (PFT) WITH JAPAN. CHINA DIVDIR FUJITA TOLD US THAT AMBASSADOR  
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OGAWA ALSO SAT IN ON MEETING AND REPORTED THAT KU DESCRIBED

CHINESE DOMESTIC AND FOREIGN POLICIES AS UNCHANGED. SPECIFICALLY, CHINESE POSITION REMAINS FIRM THAT PFT BE BASED ON 1972 CHOU-TANAKA COMMUNIQUE (INCLUDING ANTI-HEGEMONY CLAUSE, OF COURSE). KU ASKED MORINAGA TO TELL HIS FIRENDS WHEN HE RETURNED TO JAPAN THAT CHINA NOT IN TURMOIL AND SITUATION IN COUNTRY "EXCELLENT."

2. IN RESPONSE, MORINAGA TOLD KU HE NOT IN POSITION TO ENTER INTO POLITICAL DIALOGUE, BUT THAT HIS PERSONAL PREFERENCE WAS FOR SPEEDY CONCLUSION OF TREATY.

3. KU'S ASSURANCE THAT PRC POLICIES HAD NOT CHANGED ALSO EXTENDED TO ECONOMIC SPHERE. HE DESCRIBED DROP IN CHINESE STEEL IMPORTS DURING FIRST TWO QUARTERS AS PASSING PHENOMENON BASED PRIMARILY ON MISUNDERSTANDING OVER PRICE AND THE PERCENTAGE OF TRADE TO BE FINANCED ON BASIS OF DEFERRED PAYMENTS. WHILE KU EMPHASIZED THAT HE IN NO WAY BLAMING MORINAGA, JAPANESE SIDE HAD CAUSED PROBLEM BY INCREASING AT LAST MINUTE PERCENTAGE OF SALES TO BE COVERED AS CASH TRANSACTIONS. HE ASSURED MORINAGA THAT TOTAL VOLUME OF STEEL IMPORTS FOR YEAR WOULD "NOT BE LESS THAN LAST YEAR." AS FAR AS JAPANESE OIL IMPORTS CONCERNED, THE 6-8 MILLION TON FIGURE PREVIOUSLY AGREED TO WAS UPHELD BY BOTH KU AND MORINAGA. MORINAGA ADDED THAT JAPANESE DOMESTIC DEMAND WAS SLOWLY PICKING UP, AND THAT WHILE DRAMATIC IMPORT INCREASES UNLIKELY, PROSPECT FOR STEADY MARKET GROWTH SEEMED SOUND.

4. COMMENT. KU'S REMARKS ON PFT ARE FIRST THAT CHINESE HAVE MADE ON PFT FOR SIX MONTHS. THEY APPEAR DESIGNED TO ADDRESS COMMENTS MADE IN JANUARY AND FEBRUARY BY GOJ SPOKESMAN THAT PFT STALLED BY TURMOIL IN MAINLAND. AT THAT TIME, JAPANESE, FRESH FROM A BUFFETTING BY GROMYKO, SEEMED RELIEVED THAT A PLAUSIBLE REASON EXISTED FOR LEAVING TREATY ASIDE. NOW THAT CHINESE HAVE REBUTTED RATIONALE, JAPANESE ONCE AGAIN PLACED IN MIDDLE, A POSITION RENDERED IF ANYTHING MORE UNCOMFORTABLE BY THE PRESENCE IN TOKYO AS AMBASSADOR OF SOVIET HEAVYWEIGHT POLYANSKY.  
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